

## Measuring Economic Performance

### Additional Homework Problems

ECON 3133

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#### Answers

1.

- a.  $GDP = C + I + G + X - IM$   
 $= 4,378.2 + 882.0 + 1148.4 + 659.1 - 724.3$   
 $= \$6,343.4$  billion.
- b.  $NNP = GDP + \text{net factor income from abroad} - \text{depreciation}$   
 $= 6,343.4 + 5.7 - 669.1$   
 $= \$5,680.1$  billion.
- c. First, calculate NI via the expenditure method:  
 $NI = NNP$   
– statistical discrepancy  
+ net subsidies to government businesses  
– business transfers  
– sales and excise taxes  
 $= 5,680.1 - 2.7 + 9.0 - 28.7 - 525.3$   
 $= \$5,132.4$  billion.

Next, calculate NI through adding up the incomes of different people:

$$NI = \text{compensation of employees} + \text{proprietors' income} + \text{corporate profits} + \text{net interest} + \text{rental income}$$
$$= 3,780.4 + 442.6 + 485.8 + 399.5 + 24.1$$
$$= \$5,132.4 \text{ billion.}$$

2.

- a.  $\text{Budget deficit} = \text{private saving} + \text{rest of the world saving} - \text{investment}$   
 $= 1,050 + 100 - 1,100$   
 $= \$50$  billion
- b.  $\text{Inventory investment (13)} = \text{Inventory stock (13)} - \text{Inventory stock (12)}$   
 $= 1,050 - 1,000$   
 $= \$50$  billion.
- c.  $GDP = GNP - \text{net factor payments from abroad}$   
 $= 7,000 - 80$   
 $= \$6,920$  billion.

3. Example: CPI Inflation for 1979:  $(P_{79}/P_{78} - 1) \times 100 = (72.6/65.2 - 1) \times 100 = 11.3\%$ .

<i>Year</i>	<i>CPI</i>	<i>GDP Def.</i>
1979	11.3%	8.6%
1980	13.5	9.5
1981	10.3	10.0
1982	6.2	6.2